

Office of the Indiana Secretary of State Connie Lawson



Indiana Securities Division

Welcome

Connie Lawson
Indiana Secretary of State

Carol Mihalik

Indiana Securities Commissioner

The Indiana Securities Division

Mission: **Protect Investors and Maintain a Competitive Marketplace**

❑ *The Indiana Securities Division regulates:*

- Registered Investment Advisers & Investment Adviser Representatives
- Broker-Dealers
- Security Agents / Registered Representatives
- Mortgage brokers
- Collection agencies
- Franchisors
- Continuing Care Retirement Centers

The Indiana Securities Division

Securities Updates

What's new

- **Indiana Crowdfunding Bill**
- **Enforcement Updates**

Indiana Registered Investment Advisor Examinations

**Ashlie Gerrish
Examiner**

Indiana RIA Exams

What to Expect

GOAL:

To protect investors and legitimate businesses in Indiana.

❑ Two Types of Examinations:

- Routine > *generally a standard comprehensive exam*
- For Cause > *there is a reason, sometimes a focused exam*

❑ Special Audit > IC 23-19-4-11(d) in the public interest.

Examination will be conducted where the books and records are located.

Indiana RIA Exams

What to Expect

- ❑ Routine exams are typically a four-part process.
 - Pre-Exam
 - On-Site
 - Post-Exam
 - Resolution
- ❑ Onsite portion of exam typically lasts one day.
- ❑ Usually one - perhaps two examiners.

Indiana RIA Exams

What to Expect | Pre-Exam

Pre-Exam

- ☐ Notification of upcoming exam typically done by e-mail a few days in advance with a list of documents to have available.
- ☐ A request to delay an examination date is granted only on an exception basis.
- ☐ Some exams may be unannounced.

Indiana RIA Exams

What to Expect | Onsite

Onsite

- ❑ Identify contact/point person for the examiner.
- ❑ Initial interview conducted by examiner.
 - Tour of the office
 - *Where are trades completed?*
 - *Where are client files?*
 - *Where is the copier?*
 - *Where can I work?*
 - *Examiners prefer to work in a quiet space.*
 - Interview: Questions about your business and business practices.

Indiana RIA Exams

What to Expect | Onsite

Onsite

- ☐ Be prepared with requested documents readily available.
(See 710 IAC 4-9-7)

- ☐ Have key personnel available to answer questions.

- ☐ Exit interview (optional).
 - The examiner explains what comes next. May be done onsite or may come after the actual visit, but not required.

Indiana RIA Exams

Books & Records

- ❑ **710 IAC 4-9-7**, the Indiana Administrative Code, gives the books and records required by the State of Indiana for Registered Investment Advisers.
- ❑ Failure to keep accurate books and records can be an indication of unethical business practices.

Indiana RIA Exams

What to Expect | Post-Exam

Post-Exam

- ☐ Once examiner has left the office, the exam is not over.
 - Frequently the examiner requests additional documents or information from the adviser or the custodian.
- ☐ May take one to several weeks depending on responses from RIA and/or custodian.
- ☐ Once post-exam work is complete, an exam report is prepared.

Indiana RIA Exams

What to Expect | Resolution

Resolution

- ☐ **No further action required**
- ☐ **Deficiency/cautionary letter may be sent.**
 - ☐ Registrant must respond to the deficiency/cautionary letter in writing, within a set amount of time.
 - ☐ Once all deficiencies have been satisfactorily addressed, exam is closed.
- ☐ **Certain issues may be referred to enforcement for action.**

Indiana RIA Exams

Common Exam Deficiencies*

- ☐ Incomplete, inadequate, or no contract with clients.
- ☐ Incomplete or no written supervisory/compliance procedures, if more than one employee
- ☐ Non-compliance with supervisory procedures
- ☐ Failure to offer/document offer to send disclosure documents annually

**Any could result in enforcement action.*

Indiana RIA Exams

Common Exam Deficiencies*

- ☐ **Inaccurate or incomplete Forms ADV Part 1 or 2.**
 - Failure to update for material changes and/or annually.

- ☐ **ADV Part 1 and 2 do not reflect same information.**
 - Example: RIA is a broker-dealer shown in Part 1, but not disclosed in Part 2.

- ☐ **Fee Inconsistencies between Part 2 and client agreement.**

- ☐ **Fees charged are greater than the amount in contract.**

** Could result in enforcement action.*

Indiana RIA Exams

Best Practices

☐ The Securities Division recommends:

- Prepare separate fee statements for clients showing valuations, calculations and amount.
- Review and update all contracts, as needed.
- Prepare and maintain client profiles, including suitability.
- Prepare and maintain all required records including financial records.
- Keep accurate financial records.

Indiana RIA Exams

Best Practices

- Back-up electronic data and protect records.
- Prepare and keep a business continuity plan updated.
- Complete a compliance review at least annually.
- Prepare and distribute a privacy policy initially and annually.
- Review and revise all advertisements, including website and performance advertising, for accuracy.
- Implement appropriate custody safeguards, if applicable.
- Review solicitor agreements, disclosure and delivery procedures.

Client Agreements

Ashlie Gerrish
Examiner

Client Agreements

What we are looking for

☐ Contracts should be:

- In writing
- Up to date
- Properly executed *Signed by both parties*
- Have clearly defined terms that are being properly followed

Client Agreements

What we are looking for

- ❑ Contracts should include the following sections:**
 - Services**
 - Term of contract**
 - The fee**
 - Fee formula**
 - Refund policy for prepaid fees (if applicable)**
 - Discretionary Authority**
 - Non Assignment Clause**

Client Agreements

Arbitration Clauses

- ❑ Arbitration clauses are NOT required
- ❑ If you choose to include one:
 - The clause should be in BOLD
 - There should be a statement above the signature line of that contract stating that the contract includes a mandatory arbitration clause

Client Agreements

Best Practices

- ☐ Include a space for the client to initial in the following sections:
 - ADV receipt
 - Direct Deduction authorization
 - Discretion
- ☐ Contracts should state that the contract is governed by the laws of the state in which the client resides.
- ☐ If you offer multiple services (example: Financial Planning AND Asset Management), we recommend you have a contract for each service

Policies and Procedures Manual

Ashlie Gerrish
Examiner

Policies and Procedures Manual

Why are Policies and Procedures Manual Required?

☐ 710 IAC 4-9-8 (b)

- *“Written procedures, a copy of which shall be kept in each business office, shall be maintained and enforced and shall set forth the standards and procedures ...”*

☐ Provide firms and examiners with specific areas of concentration

Policies and Procedures Manual

Creating a Culture of Compliance

- ❑ A Culture of Compliance includes the following elements:**
 - A strategic vision**
 - Identification of specific risks the firm may face**
 - Control points for each of the risks**
 - Good documentation**
 - Accountability**

Policies and Procedures Manual

Who is required to have one?

☐ Any RIA that has more than one employee

▪ Including:

☐ IARs

☐ Administrative Staff

☐ Temporary Employees

☐ Contractors

☐ Solicitors

Policies and Procedures Manual

What We Are Looking For

- ☐ Hiring/Training Processes
- ☐ Handling Customer Funds/Custody
- ☐ Protection/ Confidentiality
- ☐ Employee Transaction Review
- ☐ Correspondence Review
- ☐ Advertising Review
- ☐ Complaint Review
- ☐ Solicitor
- ☐ Outside Business Activities
- ☐ Business Continuity/ Disaster Recovery Planning
- ☐ Branch/Remote Office Supervision

Policies and Procedures Manual

Best Practices

- ☐ **Review Policies and Procedures at least annually with all employees**
- ☐ **Keep a log of who attended each meeting and have them sign a “receipt of policies” form stating they have reviewed the policies and procedures**
- ☐ **Include an ADV update (annual) checklist or exhibit in the manual**
- ☐ **Include a code of ethics and have each employee sign it**

Social Media Advertising

Ashlie Gerrish
Examiner

Social Media Advertising

What is it?

- ❑ Social Media: Any websites or application that enable users to create and share content or to participate in social networking.
- ❑ Common Social Media Sites (NOT an inclusive list):
 - Facebook
 - Twitter
 - LinkedIn
 - YouTube
 - Pinterest
 - Google+
 - tumblr.
 - Meet Up
 - Instagram

Social Media Advertising

Guidelines

710 IAC 4-9-7:

IA must keep the originals of all correspondence received or copies of any notice or circular or other ad offering any

- ☐ **Report**
- ☐ **Analysis**
- ☐ **Publication, or**
- ☐ **Other service**

To more than 10 people

Social Media Advertising

Guidelines

Recordkeeping Rules:

- ☐ Interactive pages are subject to frequent change, if you use advertise any report, analysis, publication, or other service
 - Must be maintained in a manner allowing easy access by the Securities Division
 - ☐ Can be retained in paper or electronic form

Social Media Advertising

Guidelines

The firm is responsible for ALL social media content if the content was authored or adopted by the RIA and your IAR or, in some instances, your client.

Dishonest and unethical practices ...shall include, but not be limited to the following...

(22) Failing to properly supervise agents and employees. Supervision includes approval of all transactions and correspondence by an officer or branch manager.

710 IAC 4-10-1(22)

Social Media Advertising

Keep in Mind

- ❑ If using comments regarding your firm from a third party source,
 - ALL comments must be included

- ❑ If tweeting or creating hyperlinks to other sites,
 - Without info regarding why, clients could infer that the IA is endorsing all content

Social Media Advertising

YouTube Advertising

- ☐ **Video advertising follows all of the same rules as print and social media advertising**
- ☐ **If you wouldn't put it in print, don't put it on YouTube (or in any video advertising).**
- ☐ **Any comments made on the video must be shown and saved.**

Social Media Advertising

Final Thoughts

- ❑ It's important to remember when doing any type of advertising don't:
 - Over simplify
 - Mislead
 - Include figures that cannot be backed up with documentation

Teresa Cronkhite

Senior Examiner

CYBERSECURITY SURVEY SUMMARY

Teresa Cronkhite
Senior Examiner

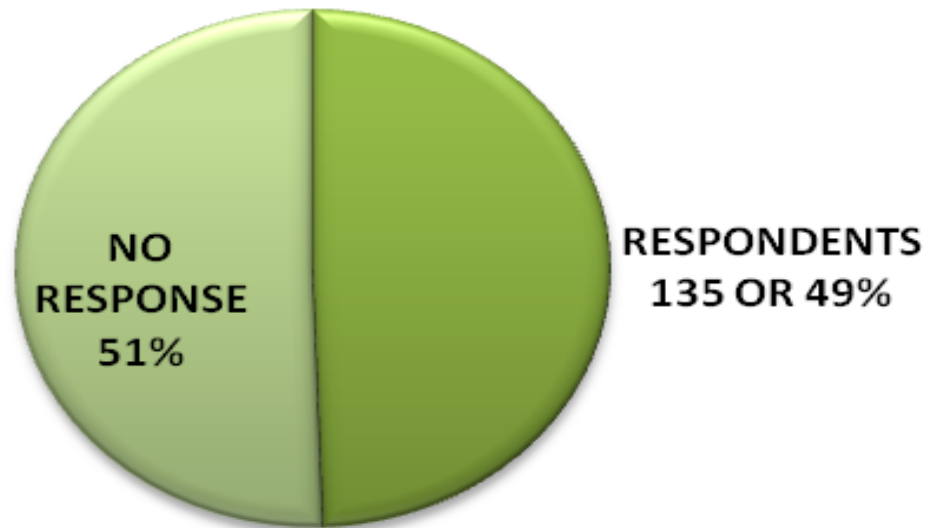
Cybersecurity Survey

❑ Survey was developed by NASAA as a Pilot.

- **Goal:**
 - **Understand the safeguards used by state RIAs to protect client information**
 - **Inform state examination programs**
 - **Identify national cybersecurity trends relevant to state RIAs**
- **9 other states sent surveys to their RIAs**
- **Responses Received from 440 Advisers**

Cybersecurity Survey

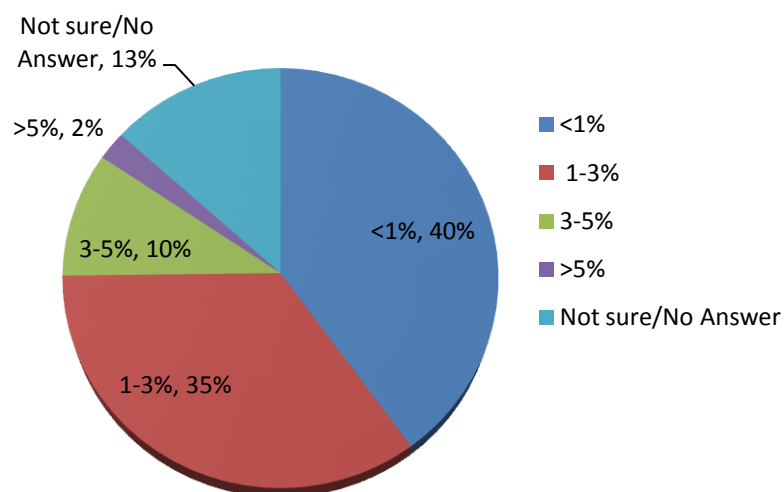
**CYBERSECURITY SURVEY SENT TO
TOTAL OF 273 INDIANA RIAs**



Cybersecurity Survey

Expenses Directly Related to information Technology Security

Indiana



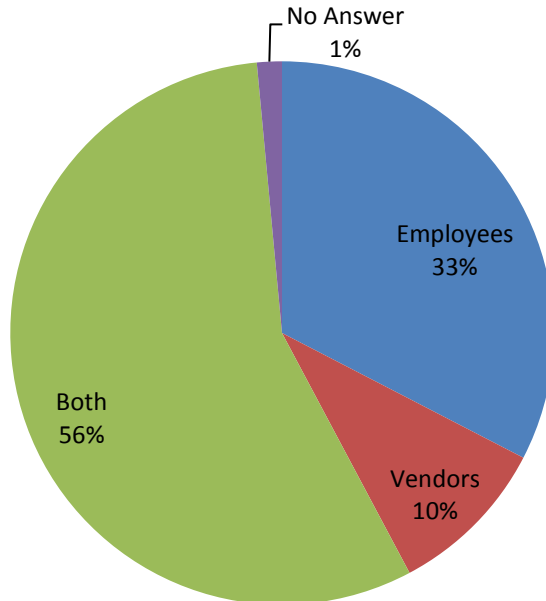
Comparison

| | Indiana | Other Jurisdictions |
|---------------------|---------|---------------------|
| Less than 1% Spent | 40% | 33% |
| 1-3% Spent | 35% | 33% |
| 3-5% Spent | 10% | 11% |
| > 5% Spent | 2% | 8% |
| Not sure/ No answer | 13% | 15% |

Cybersecurity Survey

Who Maintains Technology

Indiana RIAs



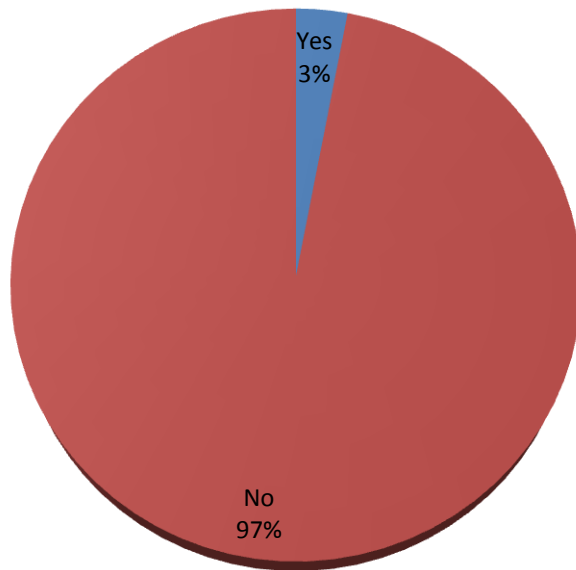
Comparisons

| | Indiana | Other Jurisdictions |
|------------------|---------|---------------------|
| Employees | 32.8% | 34% |
| External Vendors | 9.7% | 9% |
| Both | 56.7% | 58% |

Cybersecurity Survey

Cybersecurity Incidents

Indiana



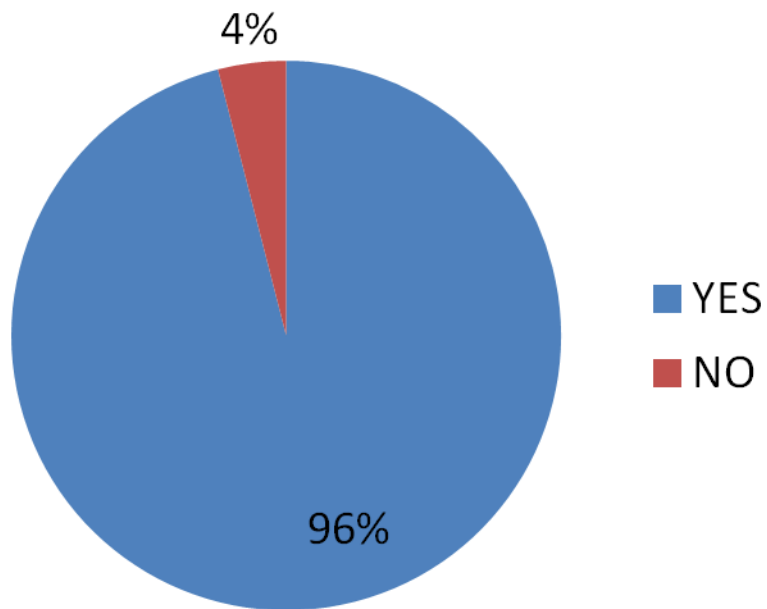
Comparison

| | Indiana | Other Jurisdictions |
|-----|---------|---------------------|
| YES | 3% | 4% |
| NO | 97% | 96% |

Cybersecurity Survey

Client Contact Via Email

Indiana



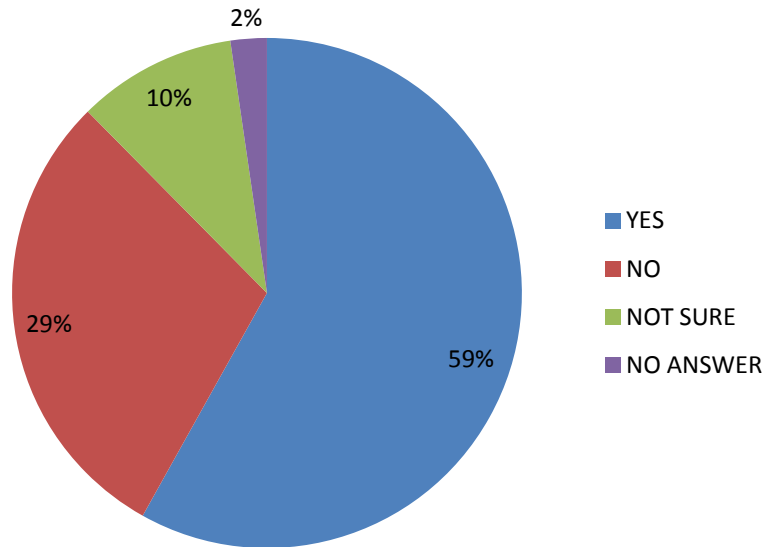
Comparison

| | Indiana | Other Jurisdictions |
|-----|---------|---------------------|
| YES | 96% | 92% |
| NO | 4% | 7% |

Cybersecurity Survey

Use Secure Email

Indiana

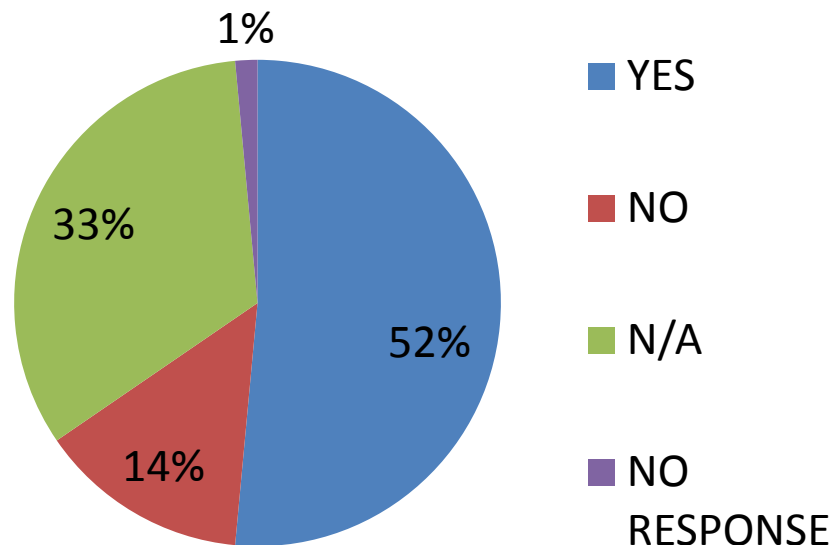


Comparison

| | Indiana | Other Jurisdictions |
|-----------|---------|---------------------|
| YES | 59% | 54% |
| NO | 29% | 30% |
| NOT SURE | 10 % | 14% |
| NO ANSWER | 2% | 2% |

Cybersecurity Survey

Procedure to authenticate instructions



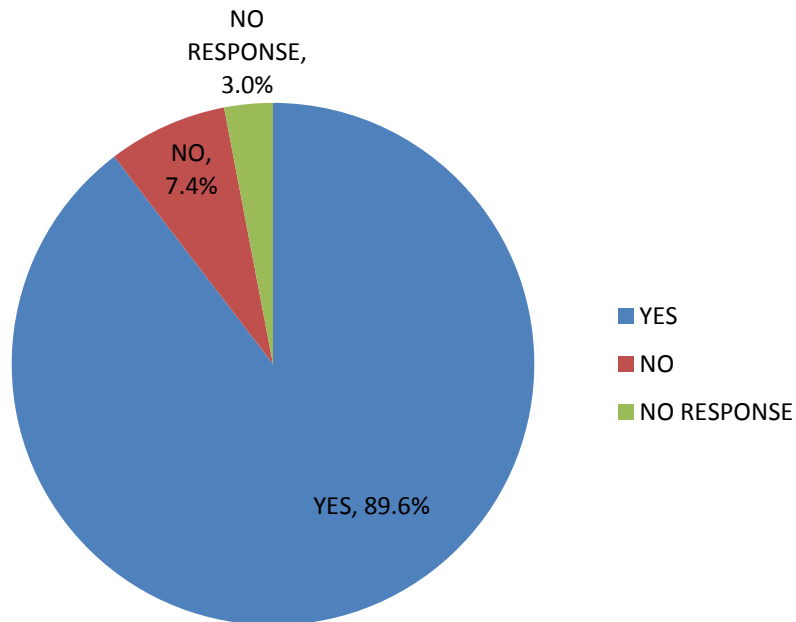
Comparison

| | Indiana | Other Jurisdictions |
|-------------|---------|---------------------|
| YES | 52% | 57% |
| NO | 14% | 13% |
| N/A | 33% | 45% |
| NO RESPONSE | 1% | 1% |

Cybersecurity Survey

Using Electronic Devices for Client Info Other than e-mail/electronic Messaging

Indiana



Comparisons

| | INDIANA | OTHER JURISDICTIONS |
|-------------|---------|---------------------|
| YES | 89.6% | 85% |
| NO | 7.4% | 14% |
| NO RESPONSE | 3.0% | 1.0% |

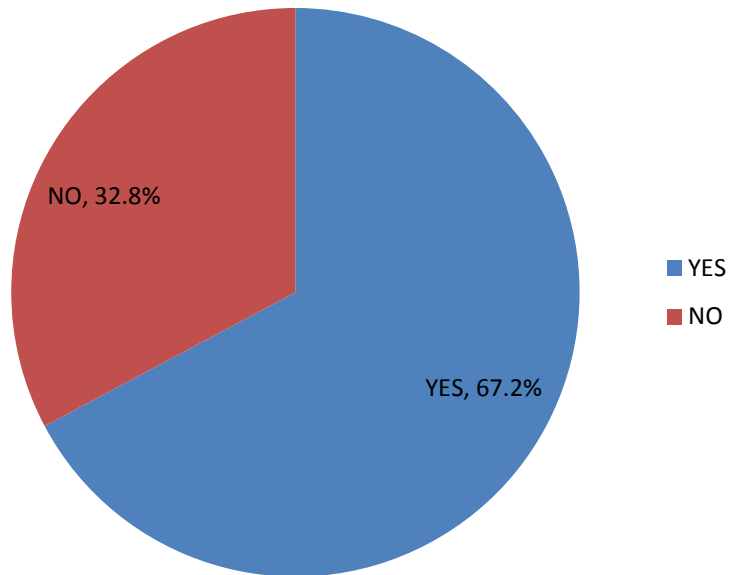
Cybersecurity Survey

Unauthorized Use/Access to Client Information

| | Indiana | Other Jurisdictions |
|-------------|---------|---------------------|
| Yes | 1.5% | 1% |
| No | 97% | 93% |
| No Response | 1.5% | 6% |

Firms Who Conduct Risk Assessments

Indiana

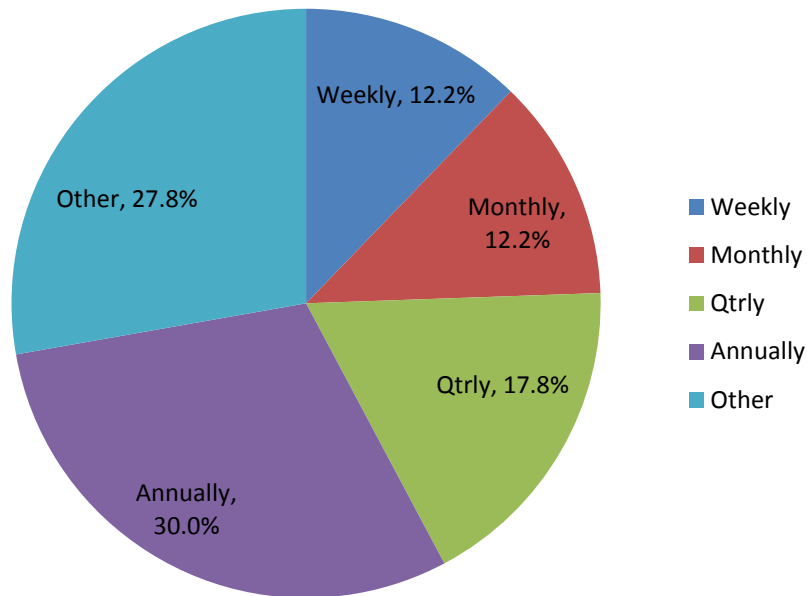


Comparison

| | Indiana | Other Jurisdictions |
|-------------|---------|---------------------|
| Yes | 67.2% | 62% |
| No | 32.8% | 37% |
| No Response | - | 1% |

Frequency of Risk Assessment

Indiana



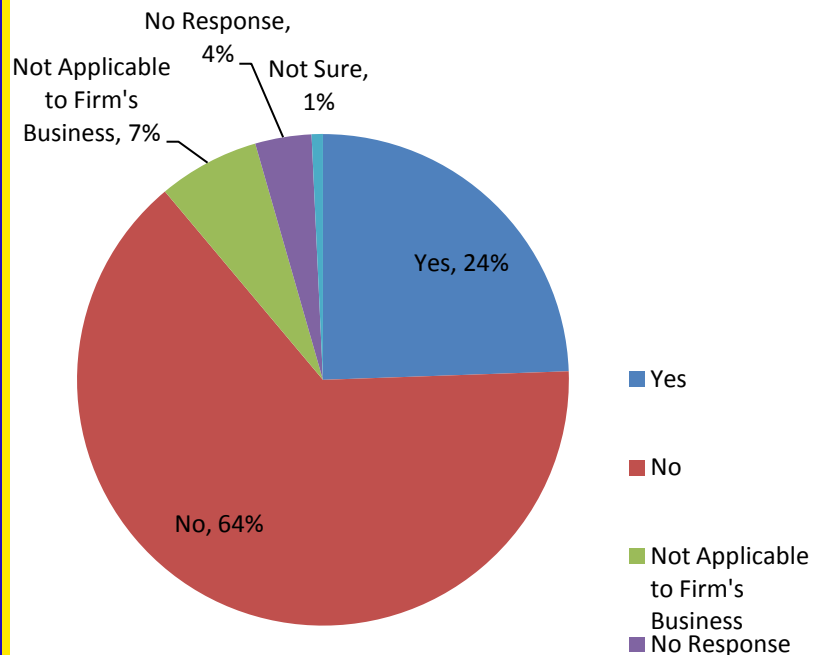
Comparison

| | Indiana | Other Jurisdictions |
|-----------|---------|---------------------|
| Weekly | 12% | 10% |
| Monthly | 12% | 11% |
| Quarterly | 18% | 13% |
| Annually | 30% | 40% |
| Other | 28% | 25% |

CYBERSECURITY SURVEY

Insurance Coverage for Cybersecurity

Indiana

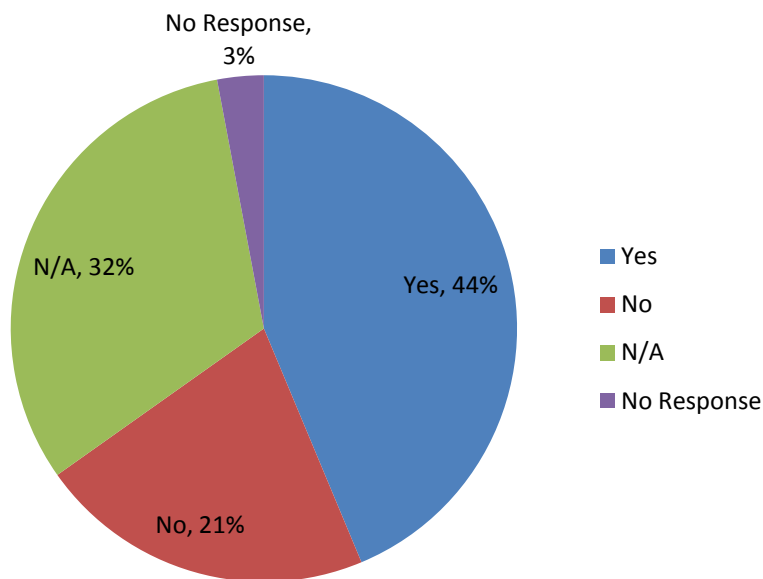


Comparison

| | Indiana | Other Jurisdictions |
|-------------|---------|---------------------|
| Yes | 24% | 17% |
| No | 64% | 67% |
| N/A | 7% | 14% |
| No Response | 4% | 2% |
| Not Sure | 1% | - |

Confidentiality Agreements with Third Party Service Providers With Access to IT Systems

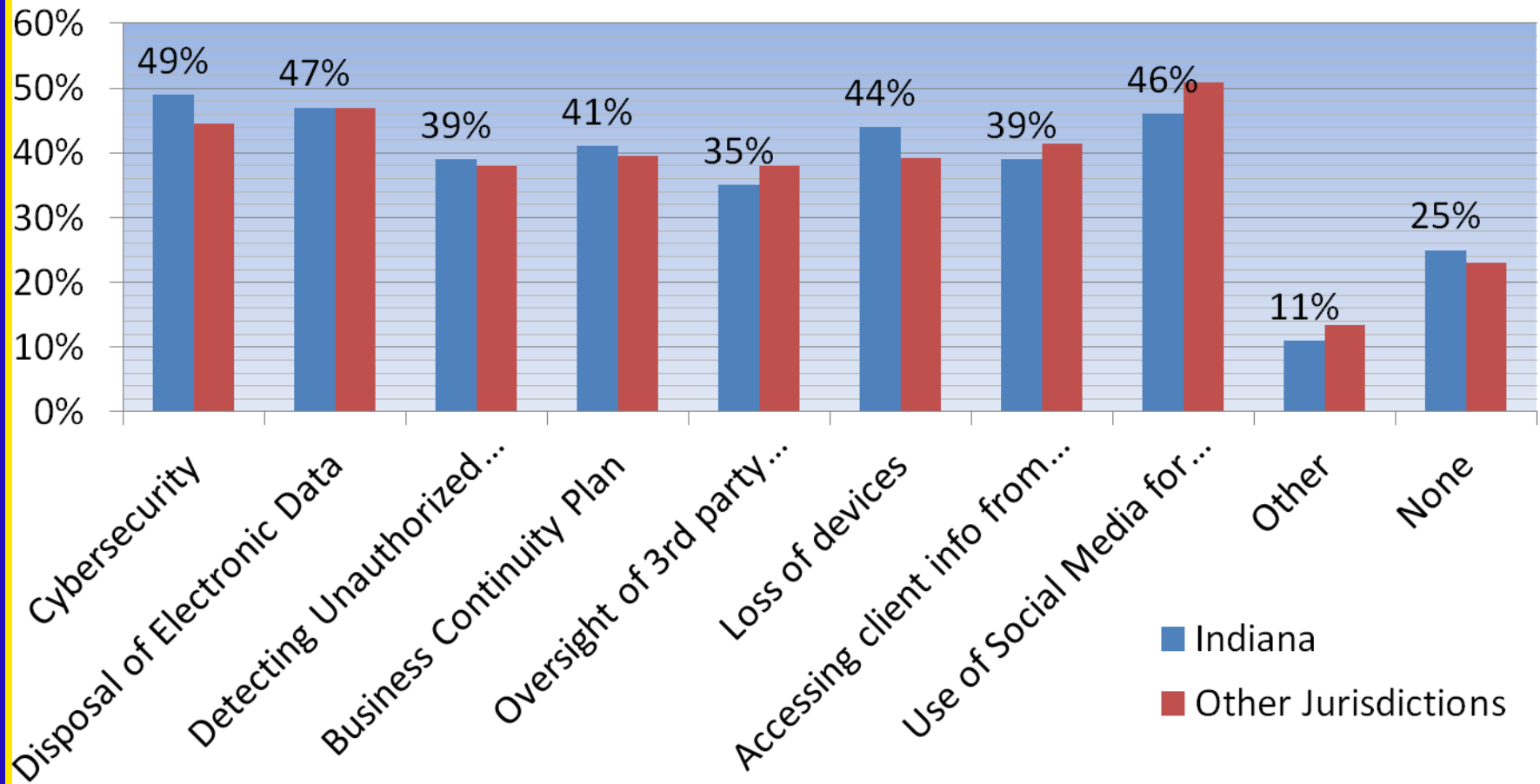
Indiana



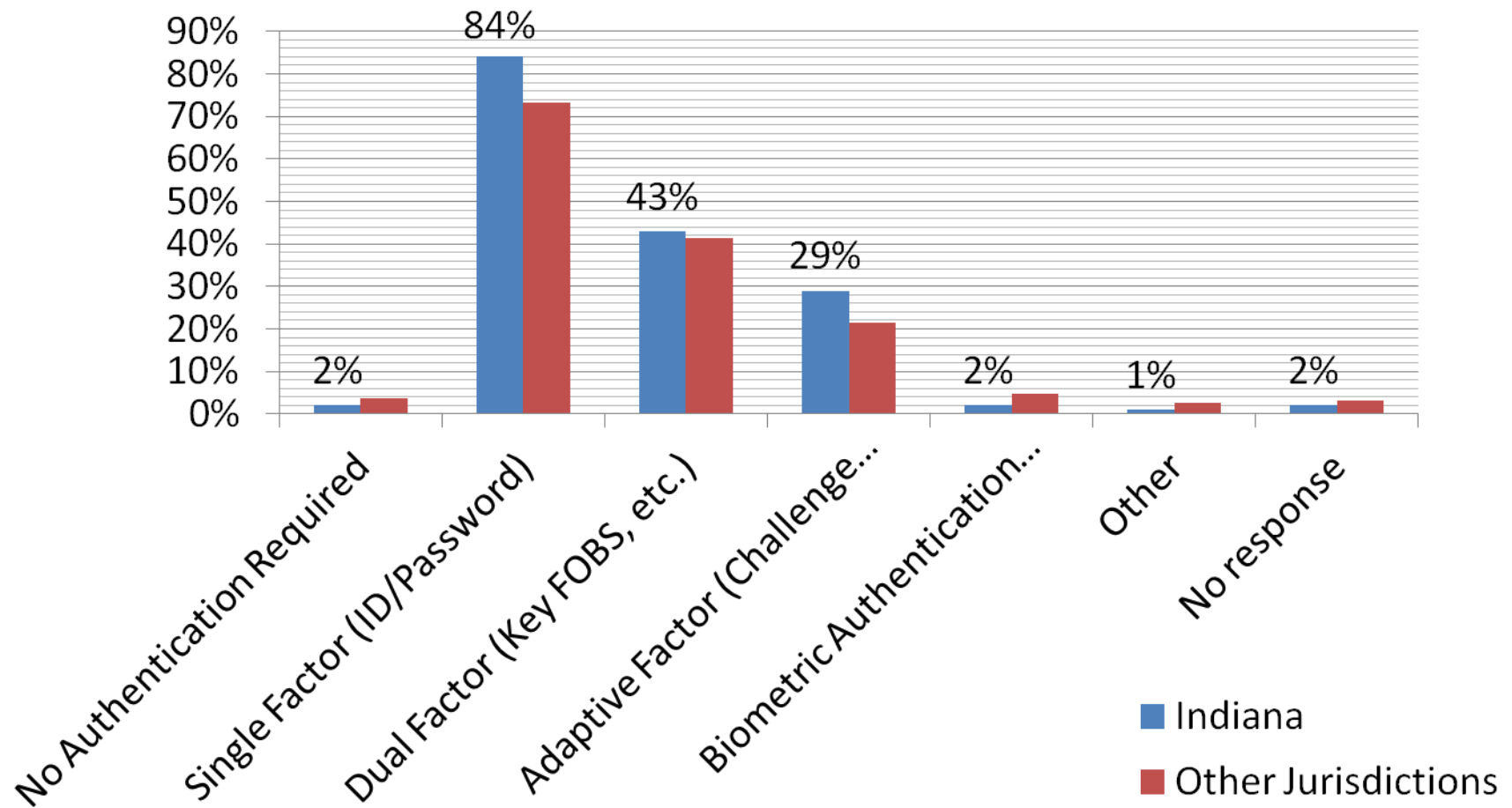
Comparison

| | Indiana | Other Jurisdictions |
|---|---------|---------------------|
| Yes | 44% | 43% |
| No | 21% | 23% |
| Not Applicable to Firm's Business Model | 32% | 32% |
| No Response | 3% | 2% |

Firms having policies/procedures/training in place for:

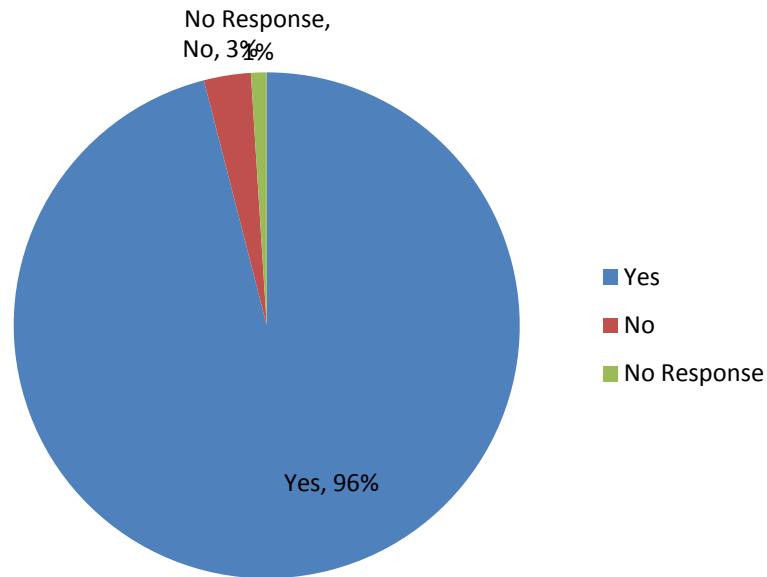


Authentication Practices



Use of Anti-Virus Software

Indiana



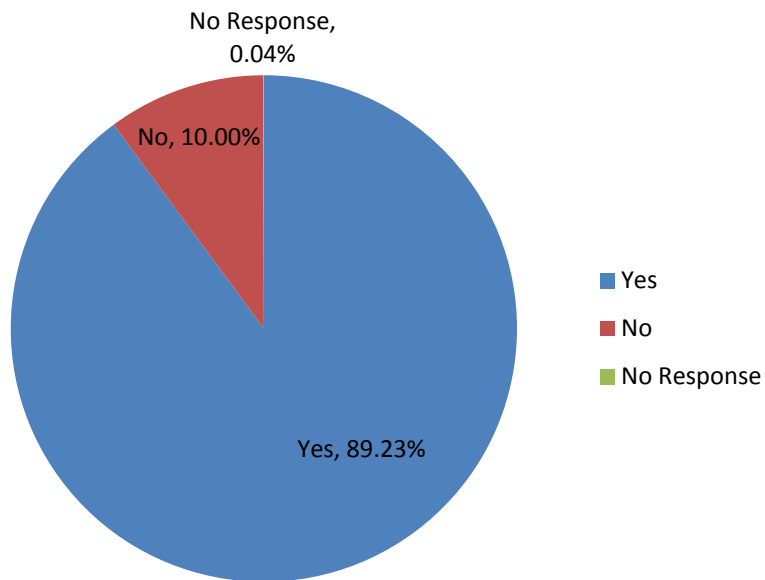
Comparison

| | Indiana | Other Jurisdictions |
|-------------|---------|---------------------|
| Yes | 96% | 97% |
| No | 3% | 2% |
| No Response | 1% | 1% |

Antivirus Software Installed on all Devices

(Of those who have answered “yes”)

Indiana

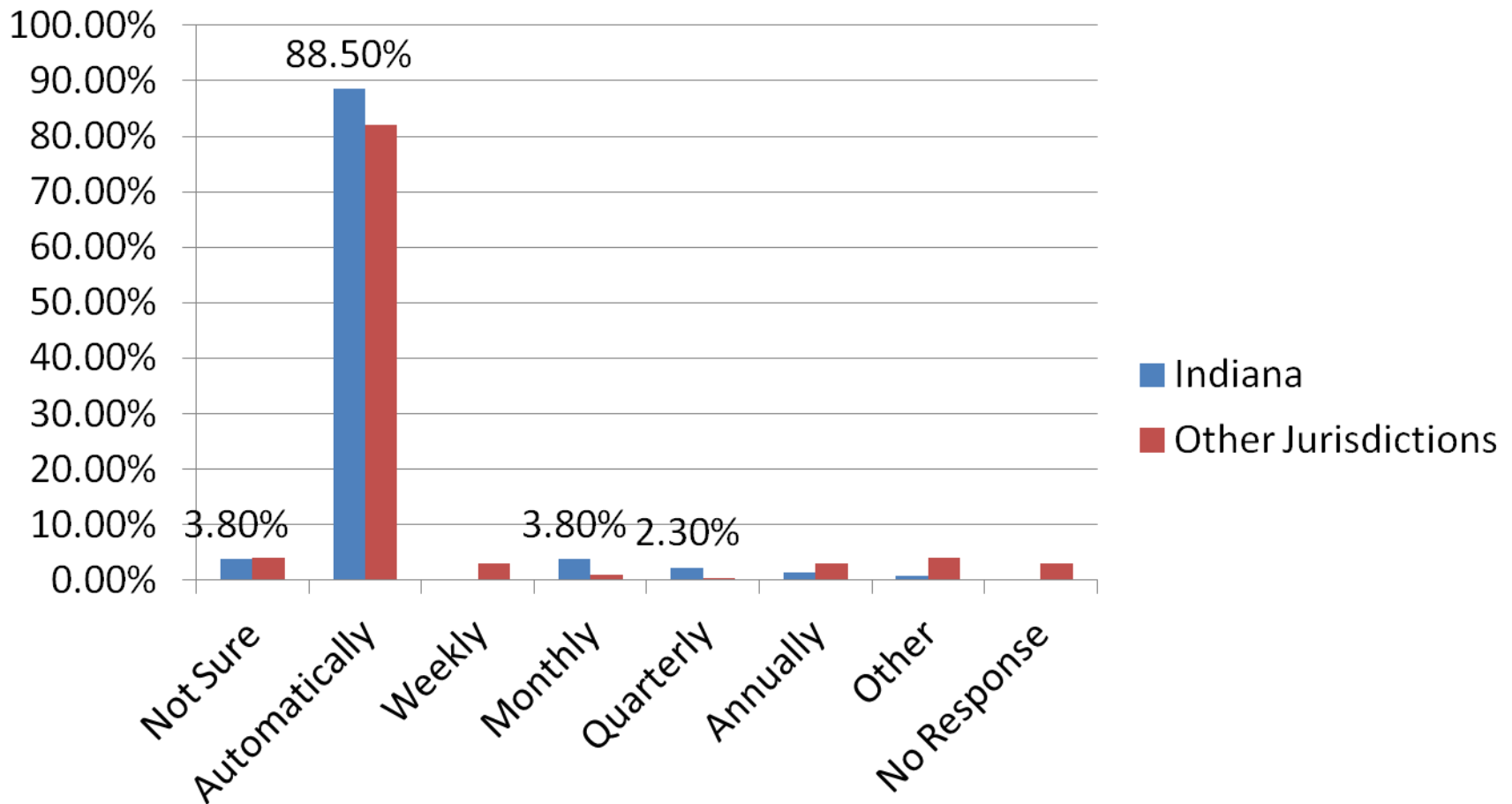


Comparison

| | Indiana | Other Jurisdictions |
|-------------|---------|---------------------|
| Yes | 89.2% | 87% |
| No | 10.0% | 10% |
| No Response | .04% | 3% |

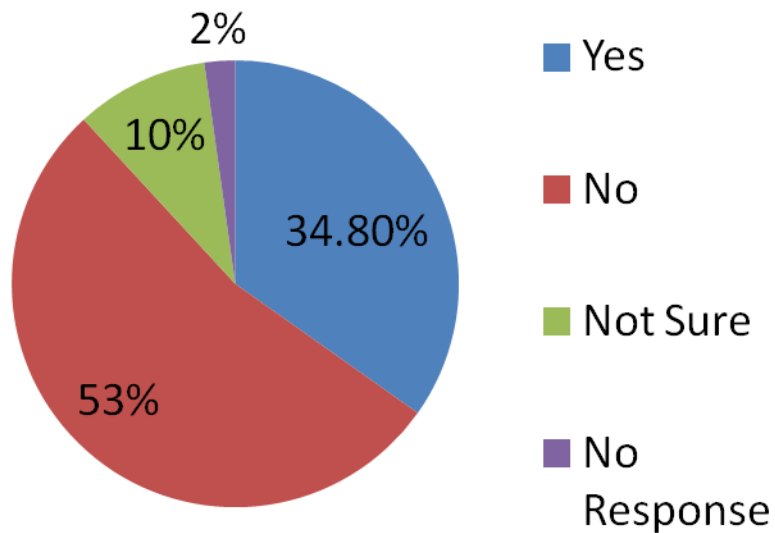
Frequency of Antivirus Updates

(of those who have antivirus software)



Firms Using Encryption on Files/Devices

Indiana



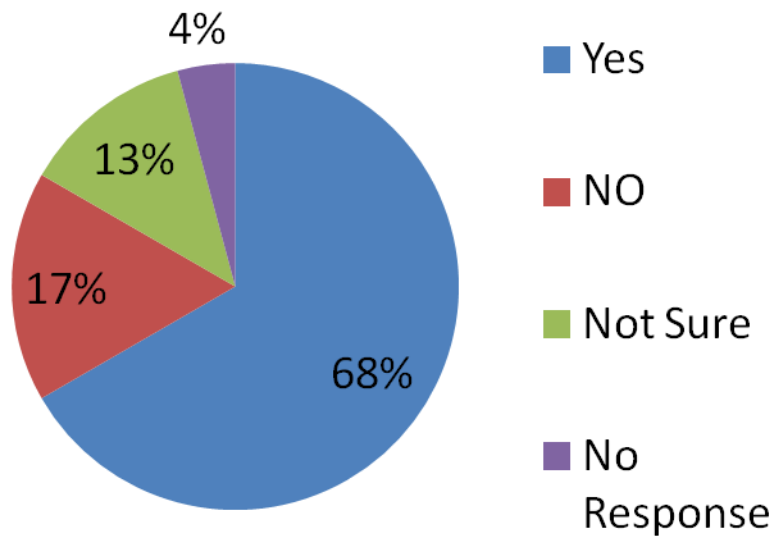
Comparison

| | Indiana | Other Jurisdictions |
|-------------|---------|---------------------|
| Yes | 34.8% | 39% |
| No | 53% | 46% |
| Not Sure | 10% | 13% |
| No Response | 2% | 2% |

Encryption Required on All Computers

(as a percentage of those who use encryption)

Indiana



Comparison

| | Indiana | Other Jurisdictions |
|-------------|---------|---------------------|
| Yes | 68% | 60% |
| No | 17% | 32% |
| Not Sure | 13% | 4% |
| No Response | 4% | 2% |

Indiana Miscellaneous Responses

| | |
|--|------------|
| Use of Remote or On-Line Backup | 76% |
| Use of Remote Access to Servers | 28% |
| Dual Factor for Remote Access | 55% |
| Use of Free Cloud Services | 19% |
| Policy for Cloud Services Use | 36% |
| Use of Mobile Device Management Tools | 4% |

Indiana Miscellaneous Responses

(Continued)

| | |
|--|-----|
| Use firm's website to access client data | 5% |
| Use of Encryption (if yes) | 71% |
| Client portal from firm's website | 13% |
| Use of Encryption (if yes) | 78% |
| Sent Policy and Procedures to the Division | 61% |

CYBERSECURITY

BEST PRACTICES

☐ ANTIVIRUS SOFTWARE

- **UPDATED REGULARLY – OR
AUTOMATICALLY**

☐ SECURE EMAIL

- **IF NOT SECURE, LIMIT WHAT IS SENT TO
AND FROM YOU.**

☐ CYBERSECURITY INSURANCE FOR THE FIRM

ETHICS & THE FIDUCIARY DUTY

Relating to Diminished Capacity

Teresa Cronkhite
Senior Examiner

FIDUCIARY DUTY

**A legal obligation of one party to
act in the best interest of
another.**

ETHICS/FIDUCIARY DUTY

Financial Competency

One's competence in managing money and other assets in a way which meets that person's needs and reflects his/her values and self-interest.

ETHICS/FIDUCIARY DUTY

The Security Division Looks for:

- ☐ **Documentation of Suitability, including**
 - **Age of client**
 - **Investment experience**
 - **Investment goals**
 - **Other personal issues**
 - **College bound children**
 - **Recent marital status changes**

ETHICS & FIDUCIARY DUTY

AARP Study – Diminished Capacity*

The Problem:

- Financial professionals report that diminished capacity is a problem for them or for their firms.
 - They recognize signs of diminished capacity, but
 - Their baseline knowledge is unclear, AND
 - Not sure how to proceed with the client.

*Findings from an AARP survey of 360 financial advisors and 166 compliance officers from various types of firms, along with an expert roundtable.

www.aarp.org/content/dam/aarp/research/.../rr2011-04.pdf

ETHICS & FIDUCIARY DUTY

Issues Facing Financial Professionals (as their clients age)

- ☐ Appropriateness of investment products;**
- ☐ Effective communication with older clients who may have physical or sensory challenges;**
- ☐ Diminished capacity to make decisions and execute transactions; and**
- ☐ The potential for fraud and abuse by trusted family members, friends, or strangers.**

ETHICS/FIDUCIARY DUTY

AARP Study – Common Protocols

If advisers suspected diminished capacity

- ☐ **Most cited:** Determine if a client has a POA
 - Keep POA information in file and keep it current.
- ☐ **At least two thirds:** Make a practice of discussing POAs with clients; **OR**
- ☐ **Some:** Ask clients to bring a trusted person with them;
- ☐ **Many:** Contact supervisor or compliance department when deciding how to proceed.

ETHICS/FIDUCIARY DUTY

AARP Study – Common Protocols

- ❑ Some compliance protocols require advisors to escalate the case to supervisor or compliance department, if clients lack emergency contact, POA, or other fiduciary.**
- ❑ The majority of advisors hold all transactions while awaiting direction from firm experts.**
- ❑ About a third only hold transactions which may be detrimental to the client.**

...and then there are

PRIVACY ISSUES!

ETHICS/FIDUCIARY DUTY

AARP Study – Privacy and Liability Issues

❑ Firms find privacy rules a challenge when dealing with diminished capacity.

▪ Concerns:

- 1. Determining whether the client has capacity to authorize transactions.**
- 2. Carrying out requested transactions that are potentially detrimental to the client.**
- 3. Heirs bringing lawsuits for transactions carried out when the client lacks capacity.**
- 4. Determining whether a fiduciary (e.g. POA) has authority to act on client's behalf.**
- 5. Financial abuse by family, friends, fiduciaries, and others.**

AARP: Protecting Against Financial Exploitation

After fiduciaries (i.e. POA) take over the decision making:

- ☐ **86%:** Would monitor account activity to detect possible abuse by an agent under POA.
- ☐ **Three-quarters:** Would require confirmations and account statement be sent to the client as well as the POA or other fiduciary.
- ☐ **Half:** Would use signature-checking procedures.

ETHICS/FIDUCIARY DUTY

What if...

You have a new client who has been put into totally incorrect funds by a previous adviser/broker dealer/insurance agent?

☐ Should you report the other financial “expert”?

YES!

| Professional Titles | Regulator | Products/Services Offered |
|--|---------------------------------------|---|
| Securities Brokerage Firm Representative Registered Rep | SEC FINRA | Securities products, including stocks, bonds, investment companies (e.g. Mutual funds), and variable contracts, such as variable annuities. |
| Investment Advisor Firm Representatives | SEC Indiana Securities Division | Primarily provide investment advice; may make investments on their clients' behalf, including securities. |
| Life Insurance Agents or Producers | Indiana Department of Insurance | Sell life insurance products, including fixed and indexed annuities. |

ETHICS/FIDUCIARY DUTY

BEST PRACTICES WHEN DEALING WITH SENIORS

☐ Account Opening:

- **Encourage clients to include a POA or an emergency contact person and give the firm authority to contact them if there is a concern.**
- **Advise clients to put all financial information (deeds, debts and financial info) in one place,.**
- **Require that the employment status field be completed. “Retired” tells the adviser that the client is in “distribution” stage of life, rather than “accumulation” stage**

ETHICS/FIDUCIARY DUTY

BEST PRACTICES WHEN DEALING WITH SENIORS

☐ Ongoing

- **Discuss “life status” with each client contact**
 - ☐ **Employment, marriage, divorce, children, etc.**
 - ☐ **If changes, determine if investment objectives need to be updated.**
- **Increase the frequency of contact with seniors**
 - ☐ **Stay informed about financial needs, health, etc.**
 - ☐ **Educate seniors on the benefits of having POA or emergency contact, giving you the authority to contact them.**

ETHICS/FIDUCIARY DUTY

BEST PRACTICES WHEN DEALING WITH SENIORS

❑ Ongoing

- **May encourage investors who are in good health to discuss financial affairs with trusted family members or attorney to ensure financials are handled properly in case of future health issues.**
- **Document conversations with investors.**
- **Send follow-up letters to the investors after the conversation to reiterate what was discussed.**

ETHICS/FIDUCIARY DUTY

BEST PRACTICES WHEN DEALING WITH SENIORS

- ❑ Refer client to an attorney who specializes in elder law, who can:**
 - Establish POA**
 - Discuss various trusts which will assist client in protecting assets.**
 - Suggest that client bring trusted friend or relative to meeting with attorney**

ETHICS/FIDUCIARY DUTY

BEST PRACTICES WHEN DEALING WITH SENIORS

☐ As a firm

- **Discuss “senior issues” with staff**
 - **Develop “issues, symptoms, alternatives” list**
- **Establish policies for escalating Issues in cases of diminished capacity**
- **Review products for appropriateness for senior investors**
- **Take time to discuss and develop age-based restrictions on certain products.**
- **Include risks related to senior investors in your annual risk assessment.**

BUSINESS CONTINUITY

Teresa Cronkhite

Senior Examiner

BUSINESS CONTINUITY

RIA is a fiduciary and must ensure:

- ☐ **Clients needs are met**
- ☐ **Client data is secure**
- ☐ **Business has minimum interruption**

With respect to records stored on computer storage medium, maintain procedures for maintenance and preservation of, and access to, records so as to reasonably safeguard records from loss, alteration, or destruction. 710 IAC 4-9-7(17)(G)

BUSINESS CONTINUITY

Goal:

- ☐ Little or no recovery time of critical operations following wide-scale disruption or inaccessibility of staff.
 - Tornadoes
 - Snowstorms
 - Illness/death of principal

BUSINESS CONTINUITY

Plan should include:

☐ **Contact information for:**

- All employees
- Critical Service Providers
 - ☐ Custodian/Broker Dealer
 - ☐ Phone/Internet providers
 - ☐ Power company
 - ☐ IT consultants (hardware/software)

☐ **Offsite meeting place**

☐ **Identify who is responsible for each piece**

☐ **Everyone should have copy at home**

BUSINESS CONTINUITY

Plan for incapacity of principal should include:

- ☐ Who in the firm to contact clients?**
- ☐ How will clients be contacted?**
- ☐ What RIA is the “back up” to recommend?**
- ☐ How long does client have to contact recommended back up or other RIA?**

BUSINESS CONTINUITY

NASAA requests comment by November 1 for its Model Rule regarding business continuity and succession planning.

<http://www.nasaa.org/?s=model+rule>

CUSTODY

Teresa Cronkhite

Senior Examiner

You have custody when...

You or a related person holds, directly or indirectly, client funds or securities or have any authority to obtain possession of them in connection with advisory services you provide to clients.

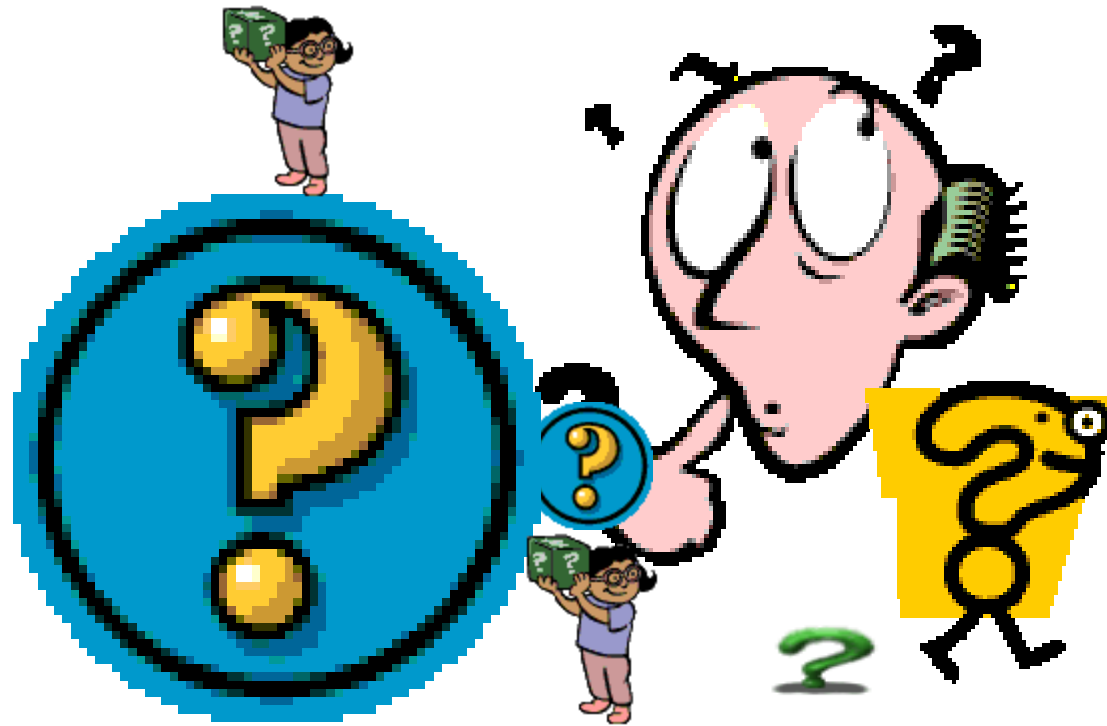
CUSTODY

Examples

- ☐ You direct deduct fees from a client's account
- ☐ You accept third party checks or securities from a client
- ☐ You accept client fees of \$500 or more six months or more in advance.
- ☐ You manage a private fund (i.e. hedge fund)

CUSTODY REQUIREMENTS

| PRACTICE | REQUIREMENT (R) or BEST PRACTICE (BP) |
|---|--|
| Direct Deduction of Fees | Send statement to client showing computations (BP) |
| Accept 3 rd party checks or Securities | Maintain blotter showing date received & date forwarded (R) |
| Accept fee payment of >\$500 more than 6 months in advance. | Submit audited balance sheet of firm annually OR Have independent public accountant conduct a surprise audit (R) |
| Manage a private fund | Submit audited balance sheets of firm <u>AND</u> the fund OR Have independent public accountant conduct a surprise audit (R) |



QUESTIONS??

CONTACTS

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